

Message Text

CONFIDENTIAL

PAGE 01 LAGOS 06996 301012Z

47

ACTION AF-18

INFO OCT-01 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 EB-11

FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 FEA-02 PA-04 PRS-01 USIA-15 DRC-01 /238 W

----- 036470

R 300835Z JUL 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 5247

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT ALGIERS

USMISSION OECD PARIS

C O N F I D E N T I A L LAGOS 6996

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJECT: NIGERIAN GOVERNMENT PRESSURES PRODUCING OIL COMPANIES

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LAGOS 06996 301012Z

1. PRODUCING OIL COMPANIES IN NIGERIA RECENTLY RECEIVED LETTERS

FROM A LOW-RANKING MINISTRY OF MINES AND POWER OFFICIAL SIMPLY INFORMING THEM THAT THE GOVERNMENT WILL PAY ONLY "NET BOOK VALUE" INSTEAD OF "UPDATED BOOK VALUE" FOR PART OF THE ASSETS ACQUIRED UNDER THE RECENT PARTICRPAATION AGREEMENTS. (THIS APPLIES TO THE DIFFERENCE BETWEEN 35 PERCENT PARTICIPATION EARLIER AGREED WITH ELF, SHELL-BP, AND FOR ALL INTENTS AND PURPOSES AGIP/PHILLIPS ON THE BASIS OF UPDATED BOOK VALUE AND THE NEW UNIFORM LEVEL OF 55 PERCENT. MOBIL AND GULF ARE RELUCTANT TO COMPLAIN ABOUT RECEIVING NET BOOK VALUE FOR THE ADDITIONAL 20 PERCENT LEST THEY JEOPARDIZE THEIR CLAIM TO UPDATED BOOK VALUE FOR THE 35 PERCENT.)

2. NIGERIAN HAS BEEN WIDELY REGARDED AS ONE OF THE MOST MODERATE OF THE MAJOR OPEC COUNTRIES. EXPORTS WERE NOT EMBARGOED AND PRODUCTION NOT CURTAILED DURING ARAB-ISRAELI CONFLICT. PARTICIPATION AND SECOND QUARTER BUY-BACK PRICES WERE SETTLED AMICABLY AND DECISIVELY. THERE HAS BEEN NO CHANGE IN THE GOOD PERSONAL RELATIONSHIPS BETWEEN EXPATRIATE OILMEN AND GOVERNMENT OFFICIALS (AND THE FIRST MEETINGS OF MANAGEMENT COMMITTEES UNDER 55 PERCENT FMG-OWNERSHIP CAUSED NO SHIFTS OF COMPANY POLICY), BUT THE UNILATERAL DECISION TO PAY LESS COMPENSATION THAN THE COMPANIES HAD BEEN LED TO EXPECT TYPIFIES SEVERAL RECENT EXAMPLES OF PRESSURE BROUGHT BY THE FMG ON THE PRODUCING COMPANIES. OTHER EXAMPLES:

- PRODUCTION RESTRICTIONS ON NEW OIL RESERVOIRS (SEPTEL)
- ROYALTY RATES INCREASED 2-4.5 PERCENTAGE POINTS (LAGOS 6753, 6867)
- DELAY IN IMPLEMENTING AGREED BUY-BACK PRICES (LAGOS 6753, 6868)
- SUSPENSION OF TEXACO/CHEVRON PRODUCTION (LAGOS 3965, 4993)
- CONTINUED PRESSURE AND DELAY IN APPROVAL OF EXPATRIATE WORK PERMITS.

3. NIGERIAN GOVERNMENT HAS ALWAYS SOUGHT TO MAXIMIZE CURRENT OIL REVENUE, AND THE ABOVE MENTIONED ACTIONS ARE FOR THE MOST PART CONSISTENT WITH THIS POLICY. RECENTLY ACQUIRED SURPLUSES FREE THE NIGERIANS, HOWEVER, TO INDULGE IN SOME ACTIONS WHICH HAVE A MARGINALLY NEGATIVE EFFECT ON REVENUE. PRESSURE AGAINST THE COMPANIES IS PROBABLY DESIGNED TO MAINTAIN THE UPPER HAND OF THE GOVERNMENT AND KEEP THE COMPANIES SLIGHTLY ON THE DEFENSIVE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LAGOS 06996 301012Z

ABOVE

ALL ELSE, THE GOVERNMENT WANTS TO KEEP ITS OPTIONS OPEN, TO DELAY, FOR EXAMPLE, JOINING IN ANY OPEC-WIDE PRODUCTION CUTBACKS BUT MEANWHILE DEMONSTRATING TO THE COMPANIES (AND CONSUMING COUNTRIES) THAT IT HAS THE MEANS AND THE WILL TO IMPLEMENT ANY DEGREE OF CONTROL IT MAY DECIDE.

REINHARDT

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, PETROLEUM, PRICES, ROYALTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LAGOS06996
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740206-0783
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974077/aaaaafig.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2002 by collinp0>; APPROVED <14 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NIGERIAN GOVERNMENT PRESSURES PRODUCING OIL COMPANIES CONFIDENTIAL
TAGS: ENRG, NI
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005